

JPMORGAN CHASE & CO.

July 19, 2021

JPMorgan Statement on the Reports of the CFTC MRAC CCP Risk and Governance Subcommittee

JPMorgan commends Acting Chair Behnam for establishing the CCP Risk & Governance Subcommittee (the Subcommittee) and supporting the development of actionable recommendations on this important topic. The Subcommittee's discussions have covered many of the issues highlighted in [A Path Forward for CCP Resilience, Recovery, and Resolution](#), a white paper that JPMorgan, together with a group of a buy-side and sell-side firms, released in 2019 (2019 White Paper).¹ The 2019 White Paper proposes twenty recommendations to enhance CCPs' resilience, recovery, and resolution, for consideration by policymakers and regulators.

Over the last eighteen months JPMorgan has supported and contributed to the efforts of the Subcommittee, working collaboratively to develop recommendations on CCP risk governance, CCP margin, CCP transparency, CCP capital and skin-in-the-game, and CCP stress testing and liquidity. Despite the significant amount of time and effort invested by the Subcommittee, we did not reach agreement on resolving many of the important issues and this underscores the need for regulatory action.

At the February MRAC meeting, the Subcommittee presented agreed-upon recommendations on CCP margin and CCP risk governance.

- On CCP Margin, JPMorgan supported the Subcommittee's six recommendations intended to ensure that margin models are robust. However, we noted the need for policymakers to also consider a broader range of measures to address margin procyclicality and improve disclosure on margin models to market participants.
- On CCP Risk Governance, JPMorgan supported the report's recommendations that requires CCPs to establish a risk forum to obtain market participant inputs on changes that could materially affect a CCP's risk profile and to codify best practices related to CCPs' risk management committees. As noted in our written [statement](#) accompanying the report, CCPs should also be required to formally consult with market participants prior to filing any rule submission with the CFTC that could materially affect their risk profile, as is required in other major jurisdictions. Unfortunately, this perspective of market participants and voting independents as reflected in the paper was not shared by others on the Subcommittee, and hence no agreement on this point was reached.

In contrast to the February reports, the two reports presented to the MRAC at the July 13 meeting did not present actionable recommendations to the CFTC. While we support these two reports, we also reiterate the views expressed in the 2019 white paper, specifically the need to: increase CCP contributions to the default waterfall to a more meaningful quantum; require CCPs to be responsible and capitalized for non-default losses; require CCP capital to be available as a last resort to absorb outstanding losses; and require CCPs to set aside recapitalization resources such as long-term debt that could be bailed in.

Importantly, and despite a significant amount of work on the CCP Transparency and Disclosure work-stream, the Subcommittee was unable to agree upon a report to be presented to the MRAC and the CFTC. Similarly, as noted within the Liquidity and Stress Testing report, the Subcommittee discussed the merits of CCPs providing greater transparency on matters relating to stress testing, with no agreement being established. This

¹ The paper was originally published in October 2019 and now has twenty signatories.

JPMORGAN CHASE & CO.

is truly a missed opportunity – the importance of margin transparency and predictability has been well acknowledged by all constituents following the COVID crisis, yet no agreement could be reached on a recommendation for the MRAC.

The Subcommittee's challenges in breaking through the impasse and advancing recommendations on CCP transparency and capital underscores the need for regulatory action on these issues alongside the prior Subcommittee recommendations and participant perspectives presented on CCP risk governance and margin.

Work on addressing the issues raised in the 2019 White Paper remains critical unfinished business and we stand ready to partner with regulators, policymakers, CCPs, and other market participants to further enhance CCP risk and governance and strengthen the US financial system.